

Corporate Credit Rating

Construction and Energy

		Long Term	Short Term	
International	Foreign currency	BBB-	A-3	
	Local currency	BBB-	A-3	
	Outlook	FC	Negative	Negative
		LC	Negative	Negative
National	Local Rating	BBB (Trk)	A-3 (Trk)	
	Outlook	Negative	Negative	
Sponsor Support		2	-	
Stand Alone		B	-	
Sovereign*	Foreign currency	BBB-	-	
	Local currency	BBB-	-	
	Outlook	FC	Stable	-
		LC	Stable	-

*Assigned by Japan Credit Rating Agency, JCR on August 28, 2015
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ÇELİKLER TAAHHÜT İNŞAAT VE SANAYİ A.Ş.					
Financial Data	2014*	2013*	2012*	2011*	2010*
Total Assets (000 USD)	2,410,509	2,651,605	472,560	303,416	193,778
Total Assets (000 TRY)	5,589,729	5,648,979	840,023	573,122	297,953
Equity (000 TRY)	322,080	434,574	306,935	210,194	81,580
Net Profit (000 TRY)	-158,572	55,831	38,538	82,355	21,025
Sales (000 TRY)	1,195,715	955,103	462,370	429,678	198,367
Net Profit Margin (%)	-13.26	5.85	8.33	19.17	10.60
ROAA (%)	-2.91	1.71	6.16	23.11	9.58
ROAE (%)	-43.15	14.97	16.84	69.01	30.76
Equity / Total Assets (%)	5.76	7.69	36.54	36.68	27.38
Net Working Capital / T. Assets (%)	-34.16	-31.48	3.06	30.96	8.82
Debt Ratio (%)	94.24	92.31	63.46	63.32	72.62
Asset Growth Rate (%)	-1.05	572.48	46.57	92.35	30.86

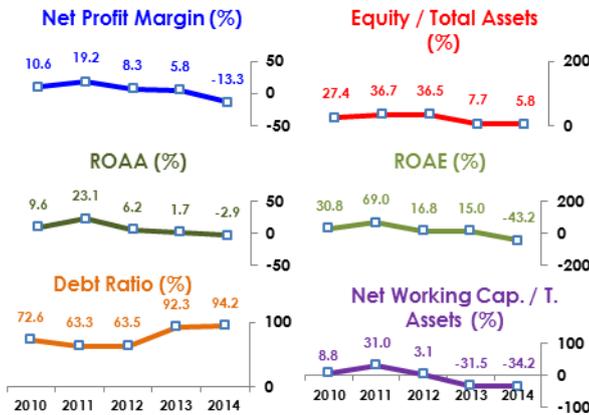
*End of year

Overview

Çelikler Taahhüt İnşaat ve Sanayi A.Ş., (hereinafter referred to as "Çelikler İnşaat" or "the Company"), with history dating back to 1958 with the establishment of a sole owner company under the name "Osman Çelik", gained its current status in 1993. The Company operates primarily in the construction sector with a focus on building highways, dams, bridges, railways, irrigation and sewage systems, tunnels, viaducts and interchanges along with other forms of infrastructure and superstructure projects. Besides tourism and machinery equipment leasing activities, the Company accentuated its presence in the energy and mining sectors since 2013 through its subsidiaries. In accordance with its growth strategy, Çelikler İnşaat acquired the Seyitömer Thermal Power Plant and its surrounding assets in FY2013, including the operating rights for lignite reserves until 2054 amounting to USD 2,248mn.

The Company won the privatization tender of the Tunçbilek and Orhanlı Thermal Power Plants, their assets and the lignite processing facilities of Bursa Linyitleri İşletmesi through an asset sale including the operating rights for related lignite reserves with an offer of USD 521mn in December 2014. The acquisition contract was signed in June 2015 with the Privatization Administration. Following the recent acquisition, the Company became one of the major players in the sector with 1,175 MW coal based thermal plant installed capacity.

As of December 31, 2014, the Company employed a workforce of 1,889, including its subsidiaries.



Strengths

- Continuous sales growth throughout the reviewed period, supported by sizable electricity sales in last two consecutive years
- Contribution to gross profit level from the low production costs of electricity sales, constituting the majority of sales and expected further increase in the upcoming period in line with operation expansion in the energy sector
- Cash sales of electricity facilitating liquidity management
- Geographical and business diversification of principal activities, mitigating overall risk concentration
- Strong demand for electricity production business ensured by Turkey's growing energy needs, promising further growth
- Ownership of one of the Largest Machinery Parks and one of the best hotels in Ankara
- Proven track record spanning over 50 years with tens of major infrastructure projects completed
- High level of non-current assets, stemmed particularly from the thermal power plants and operating right of the lignite reserves, providing an accumulated wealth affect

Constraints

- Existence of substantial net working capital requirement
- Exceptionally high debt levels deriving particularly from acquisition of the thermal power plants and their facilities coupled with operation rights of the lignite reserves
- Excessive short foreign currency position exposing the Company to significant currency risk and remarkably pressurizing profit and profitability ratios
- Volatility in profit and profitability indicators
- Persistent political and economic stresses and insurgencies in neighboring regions coupled with rising social tension in Turkey following the increase of terrorist activities restraining investment and business prospects
- Although currently well-operated, anticipated renovations and updates of the Seyitömer Plant's outdated technologic infrastructure
- The need for an efficient and separate risk management unit
- Need for improvement regarding the Compliance Level with Corporate Governance Principals

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